COMMITTEE WORKSHOP

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	)	
	)	
Petroleum Infrastructure	)	Docket No.
Environmental Performance	)	04-IEPR-01(A)
Report	)	
_____	)	

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET

HEARING ROOM A

SACRAMENTO, CALIFORNIA

MONDAY, JUNE 20, 2005

9:10 A.M.

Reported by:
Peter Petty
Contract No. 150-04-002

COMMISSIONERS PRESENT

John Geesman, Presiding Member

James Boyd, Associate Member

Jackalyne Pfannenstiel, Commissioner

STAFF and ADVISORS PRESENT

Melissa Jones, Advisor

Suzanne Phinney

David Flores

Dale Edwards

Chris Tooker

Ellie Townsend-Hughes

Daryl Metz

Mike Ringer

Rick Tyler

Rich Sapudar

ALSO PRESENT

Joe Sparano
Western States Petroleum Association

Steve Arita
Western States Petroleum Association

Jane Turnbull
League of Women Voters

I N D E X

I N D E X

P R O C E E D I N G S

9:10 a.m.

PRESIDING MEMBER GEESMAN: This is a workshop of the California Energy Commission's Integrated Energy Policy Report Committee. I am John Geesman, the Presiding Member of that Committee. To my left is Commissioner Jim Boyd, the Associate Member. And also the Chair of the Commission's Transportation Committee, to my far right, Commissioner Jackalyne Pfannenstiel, the Associate Member of the Transportation Committee. To my immediate right, Melissa Jones, my Staff Advisor.

Why don't we just immediately get into your presentation, Suzanne. The topic today is petroleum infrastructure environmental performance report. Suzanne.

MS. PHINNEY: Thank you, Commissioner Geesman. I'm Suzanne Phinney, one of the project managers for the petroleum infrastructure environmental performance report.

Before I get into the report just a few housekeeping comments. Restrooms are across the way. If we were to go into the lunch hour which, by the size of the crowd here, I doubt that we

will make it that far, but there is a cafe on the second floor and there are restaurants in the area.

There is a possibility that there could be a fire drill today. If that were to happen everybody would need to exit the two doors to my right. Proceed in an orderly fashion to the park that is katty-corner to the Energy Commission. And I have been advised that you should not jaywalk because there will be police with their ticket pads in close proximity. Then, at the park just remain until the all clear is given.

For those of you who are on the web and who are interested in providing comments on this report orally by phone, we are still hoping to get a call-in number that will work. And, if so, I will announce that later.

The purpose of this workshop is to provide an overview of the petroleum infrastructure environmental performance report, or PIEPR, to receive comments on the report both after each issue area and at the end. And we have the authors of each environmental issue area present here today who are going to be able to address your questions and comments.

We'd like to identify where additional data may reside because the staff went through their assessments and they found several data gaps. Also like to identify actions being taken by others with respect to petroleum infrastructure so that the Energy Commission can partner with those efforts. And then finally, to review the policy options recommended to the Energy Commission.

The purpose of the report, and that report is available on the table as you entered, is to assess the nature and extent of environmental, public health and safety associated with petroleum -- safety issues associated with petroleum infrastructure.

We tried to determine the trends over the past 15 to 20 years, 1985 to 2000; although the data were such that sometimes staff went further back, sometimes went a little bit more forward.

And then to look how those trends may change with changes and expansions to petroleum infrastructure facilities as they tried to meet the future demands of growing use of transportation fuels.

The report is organized in the following manner: It discusses terminals, refineries, pipelines and bulk storage. It does not address production, distribution or retail sales.

Staff tried to take a regional approach wherever possible, and you'll see that reflected in some of the sections.

The report starts with a background on the infrastructure history and operations and discusses what expansions may be needed to meet the increasing demands for transportation fuel.

And then impacts are evaluated by environmental issue area. And finally, the report presents findings and policy options and these are detailed in chapter one.

California has a lengthy history with respect to petroleum infrastructure. Drilling first began in 1862 and the first pipeline was built in 1886. In terms of processing we've gone from 20 barrels of oil per day in 1876 to 1 million barrels of crude oil per day in the 2000s. Some refineries that were built in the early 1900s are still on the same site today.

There have been many changes in infrastructure ownership and locations over the

past several decades; mergers, divestitures, acquisitions have consolidated much of the petroleum infrastructure.

The number of refineries has decreased 40 percent, and there have been no new refineries built since 1969. And although the number has decreased 40 percent, refinery through-put has decreased only 20 percent.

Major infrastructure is located in Los Angeles and the San Francisco Bay Area. And I'll have maps showing that next, with some minor infrastructure in Bakersfield and Santa Maria and a few scatterings elsewhere.

Here's a map showing the Los Angeles/ Long Beach facilities. And as you can see by the cluster near the bottom there are quite a number of facilities that are located just north of the Port of Los Angeles and Port of Long Beach.

And then moving to the San Francisco Bay Area petroleum infrastructure you can see it's more inland than on the coast, with three general areas, sort of Rodeo Conoco Phillips area down by Martinez, and then up near more the Carquinez Straits area.

And there have been changes to the

infrastructure over time, in large part driven by regulations relating to reformulated gasoline, the use of MTBE, ethanol, ultra low sulfur diesel. And these regulations and changes in fuel requirements are going to continue into the future and most likely will require changes to the infrastructure.

California is now a fuel island, meaning that not many states or countries can supply fuel to or products to California. And this puts a little bit more pressure on our instate facilities, particularly with the growing demand for transportation fuels as I've mentioned. That will necessitate the need for more infrastructure, particularly additional storage and marine terminal receipt points.

The Commission has just recently released a new report called an assessment of California's petroleum infrastructure needs. It's online. And that provides more information about what those changes in demands will require.

Are there any questions on the infrastructure section of this report? Okay, we'll move on to land use.

As I mentioned, the California petroleum

infrastructure has a lengthy history in the state. And where the infrastructure was once located in rural areas, now those areas are far more urbanized. As a result separation distances between the infrastructure facilities and residential areas may not be adequate in some places. In part because zoning laws and laws like the California Environmental Quality Act or CEQA only came into effect in the 1970s.

PRESIDING MEMBER GEESMAN: What do you mean by adequate?

MS. PHINNEY: That they may not -- well, the author is here, but my interpretation is that they may be closer to each other than they would under today's zoning laws, in terms of feet, distances, that sort of thing.

PRESIDING MEMBER GEESMAN: Can we ask the author to expand on exactly what was meant by the term adequate?

MS. PHINNEY: Yes. He's at the --

MR. FLORES: Yes, my name is David Flores, land use planner for the California Energy Commission. Good morning, Commissioners.

In my research, as was indicated earlier, a lot of the infrastructure and

pipelines, and essentially this is a discussion of both pipelines and for the infrastructure, were built prior to, as she had indicated, CEQA coming into effect.

And so much of the infrastructure was in place; residential came in. And a lot of the buffers, especially a lot of the underground pipelines are within close proximities of existing residential, commercial developments.

And so, as I discussed further in my report, the American Petroleum Institute has established guidelines for construction of underground pipelines establishing distances. And so that essentially was what I was referring to.

PRESIDING MEMBER GEESMAN: Thank you very much, Mr. Flores.

MR. FLORES: Sure.

COMMISSIONER BOYD: While you're standing there let me -- I don't know if these are questions or comments that you can comment on, since the subject has come up now. Land use has always been of extreme interest to me. And I don't expect you to be able to speak for local government, but you probably have more experience with this than me.

But I've always been puzzled why local government has allowed development right literally to the fenceline of so many heavy industries. And yet, you know, in years past -- I guess I'm showing my age -- I remember driving the rendering works out of town many many times, you know, when civilization got too close, off they went. But they smelled, and I guess that was a major concern.

Airports have been driven out by development being allowed too close. And yet, we've not provided buffers. Even lacking, you know, guidance from industry associations and what-have-you, local communities have allowed development right up to the fenceline of heavy industries that have been identified as problem areas.

If it's not an occasional noxious odor problem, it is the knowledge of air pollution and toxics and what-have-you. And yet, local decisionmakers have allowed that development to occur right up to the fenceline.

It's cheap property; it makes for cheap housing; and you get the economically disadvantaged who happen to be, more often than

not, minorities.

And then you automatically create an environmental justice issue with institutions, and it's not just the oil infrastructure, but institutions that were way out in the middle of nowhere when they first built them.

Is it a fact that local government is so hungry for local tax revenue dollars to support their infrastructure and institutions that they allow this to happen? I mean local decisionmakers are elected officials, many of whom serve on their local air pollution control districts. Almost a conflict of interest. But they've allowed this. And it's bugged me for more decades than I'm willing to admit.

Now, you're a land use planner. I'm curious for your input.

MR. FLORES: You hit it on the nail. Because I worked in a local jurisdiction for 11 years, and yes, there was many problems that occurred with heavy industrial being within close proximity of residential, apartment complexes.

And I believe it is from a tax revenue. I've had long discussions with the county assessor on these issues when we dealt with problems of how

they look at establishing buffer areas. And generally you get more tax revenues from industrial complexes than you would on a residential. That's just the nature of the beast. You actually get more revenues from a tax base.

And so with industries coming in, and especially in the area where I worked, in Yolo County, there was always that issue of establishing buffers, especially in growing communities that I dealt with.

And so I made sure, while I was there, to establish adequate buffers, working with the ag commissioners, working with the local jurisdictions. And putting our foot down as to establishing buffers, adequate buffers, away from residential.

Although in a project that I'm working in the San Francisco Bay Area, -- loft units are being established right across from heavy industrial to bring in -- to deal with the problem of residential issues in the San Francisco Bay Area.

And so, you know, I will not give my opinion to that, but I think you know that from my perspective we need to establish adequate buffers,

and that's how I addressed it in my report.

COMMISSIONER BOYD: I mean I recognize urban pressure makes it a little difficult to keep that ag land, but, you know, there's always a desperate need for parklands and what-have-you, things that would be occasional use. But, see, that doesn't generate revenue --

MR. FLORES: That's correct.

COMMISSIONER BOYD: -- like houses and property taxes due for local government. Well, anyway, I'm getting --

PRESIDING MEMBER GEESMAN: Or Indian casinos.

(Laughter.)

COMMISSIONER BOYD: Or Indian casinos, correct.

PRESIDING MEMBER GEESMAN: You know, this drama is playing itself out right now near the Chevron refinery in Richmond. It is a perpetual problem, I think, largely prompted to put the best face on it by the revenue needs or revenue interests of local government.

But I'm not certain that the rest of us benefit from that incursion into what should be buffer space, particularly those of us dependent

upon the products flowing from those refineries.

Thank you, Mr. Flores.

MS. PHINNEY: Thank you. I'll just finish up with this slide. The urban proximities have created existing, and probably will continue to create, conflicts with the communities, local agencies and competing land uses.

COMMISSIONER BOYD: Amen.

MS. PHINNEY: And further expansions or changes could increase those conflicts. Land available for port and refinery expansions is limited. The ports may prefer expansions of cargo containers instead of petroleum facilities.

Expansions may not be compatible with local land use plans or what the community desires. This suggests that perhaps the only changes that may be available into the future would be within the fenceline of existing facilities. Just raises that question.

PRESIDING MEMBER GEESMAN: You know, I think that potentially though doesn't avoid the problem, because the way our permitting process currently works, even within fencelines there is a local land use permit required for many improvements. And as a consequence I think it

sets up the same conflict that we've seen happen so many times before.

So, I understand your last point, but I'm not certain that it offers much of a prospect for optimism.

MS. PHINNEY: That's probably true. There will still be those conflicts, but something within the fenceline may be more permittable or buildable than something outside of the fenceline.

There are some aids out there than can help resolve or work on these conflicts. ARB, or the California Air Resources Board, has just issued a guidance to local governments to help them make siting decisions for sensitive land uses near certain industries, and these include ports and refineries. ARB is currently taking public comments on that guidance.

As Mr. Flores indicated, the American Petroleum Institute has some guidelines. And there's an opportunity to develop ordinances, planning policies, general plan safety and environmental justice elements that could serve as models from one community to another to help resolve conflicts.

That concludes the land use section.

Are there any further questions?

Looks like we might have an update on phone line information. We also were informed that the webcast had video but no audio. So, it's been a great day.

(Pause.)

MS. PHINNEY: Try it again?

(Phone adjustments.)

MS. PHINNEY: This is way more complicated than a regular phone. Okay.

(Pause.)

MS. PHINNEY: Okay, this is exciting. Okay, we've finished with land use. Were there any further questions on that areas?

Okay, let's go to environmental justice. Federal and state environmental justice guidelines in place, and these address the disproportionate impacts on minority and low income populations.

Some air districts and counties have also developed environmental justice policies and programs, particularly those with petroleum infrastructures within their boundaries. And some of these programs are fairly extensive. And because of space limitations in our report, we did not do an exhaustive review of all of those

policies and programs.

Much of these policies and programs are designed to work with the local communities on their particular issues of concern, and I'll be identifying what some of those concerns are in a later slide.

Staff assessed the demographic changes within six miles of refineries. The actual boundaries of these six miles are shown in figures A1 through A4 of the report. And those figures are actually now part of the report. They were inadvertently omitted when we first published.

What the analysis shows is that the percentage of minority populations has grown from 1980 to 2000. In Los Angeles/Long Beach area it grew from 45 percent in 1980 to 71 percent in 2000. And in the San Francisco Bay Area the average change in minority populations went from 30 percent to 55 percent. And I use the word average because staff actually looked at three discrete areas in the San Francisco Bay Area, so that's a compilation of the average changes. But the report spells out the changes within each of those three areas.

There has been a less of a change in low

income populations near the refineries. In Los Angeles/Long Beach the percentage has increased from 13 percent to 19 percent. However, in the San Francisco Bay Area it's basically stayed about the same, 9.3 percent to 9 percent as an average.

I mentioned that the communities around refineries have a number of concerns, and these include the fact that they feel that they are bearing a disproportionate share of the impacts from petroleum infrastructure facilities. They're concerned about the cumulative health effects of toxic chemical releases, and the flaring of gases from upset events at refineries.

And also concerned about how the air districts are monitoring and reporting of the refinery emissions, that's both from the industry, themselves, how they monitor and report. And then the followup by the air districts, including agency enforcement.

They are concerned about accidents from facilities and the notifications and evacuation plans that follow such accidents. And in all of this they hope to work with the local agencies on these issues to resolve them.

That was the last slide for

environmental justice. Are there questions?

PRESIDING MEMBER PFANNENSTIEL: Yes.

MS. PHINNEY: Okay, Mr. Edwards, are you here? To the podium, please.

PRESIDING MEMBER PFANNENSTIEL: Good morning. My question is a rather general one, though, and it really has to do with whether it occurs that the populations living then in close proximity, and I guess specifically the growth in minority populations there, remain unsatisfied with their relation to these facilities, and that's what's causing the environmental justice concerns.

Is that true equally, the two parts of the state that you looked at, in the Bay Area and L.A., is one more concerned than others?

And then the other part of the question is whether this is true perhaps in other states. Are other states experiencing -- with petroleum infrastructure facilities -- are they experiencing the same kinds of environmental justice concerns?

MR. EDWARDS: We did look at some other states, but the information is difficult to gather. But I think that speaking specifically for California, at least, we have to kind of think

about the compaction of population that occurs in the urban regions and particularly where the refineries are located.

We may not be typical of some other states that have the refineries more distanced from populations, but I can't speak to that specifically.

But I wanted to go back to your other point about San Francisco versus L.A., whether they're kind of experiencing similar things. I think there are, across the board looking at the refineries, what we have seen at some refineries are a little bit better neighbors than other refineries. And we haven't picked those out specifically in the report in particular. There is information that indicates that, that some are doing a little better job than others.

But across the board there is changes in regulation for air quality and such that to some degree is led by environmental justice concerns over time. And we certainly have some well organized community groups in the vicinity of refineries, in particular to the L.A. region that I'm aware of, that have, for a number of years, have been pushing very hard for changes,

improvements that would benefit their local air quality and their specific health concerns.

I hope that answers your question.

PRESIDING MEMBER PFANNENSTIEL: Yeah, that's good. I am looking specifically for what actions can the refineries take and what actions can the local communities take to moderate these issues.

If it's given the fact that we are going to have residential populations up against these areas, then how do we learn from what works in terms of the term you used was being a better neighbor. I think those actions and those policies might be interesting to look at.

MR. EDWARDS: Well, the most specific example is that flaring that, I guess there's both sides to that issue that have been discussed. And that's a subject that's immediately in front of air districts and such, to consider what's going on with flaring. And what mitigations or regulations are going to be needed in the future.

So that's something that very much directly the communities are concerned about. And the refineries may have a way to improve their operations that would make the communities feel

better about that.

PRESIDING MEMBER PFANNENSTIEL: Thank you.

PRESIDING MEMBER GEESMAN: Dale, what about differences in the two Air Districts, the South Coast and Bay Area? Is one perceived to be more responsive or more effective in meeting community concerns than the other?

MR. EDWARDS: I have to apologize for not having a large information source in my head, at least, for the Bay Area. I think -- we looked quite carefully, and even met with the South Coast District, and know that they have a quite thorough program of being involved with the community; and on a programmatic level making significant, I believe, changes that will benefit all of the L.A. residents over time. But probably in particular the ones that are most disproportionately impacted, if you will.

So they have an extremely good program going down there, and it's been going on for some time.

And I believe the Bay Area District is doing a good job, as well, but I just don't think they're as expansive or as broad a program level

as SCAQMD is. But if there is somebody who could speak to that more directly, I would appreciate it.

PRESIDING MEMBER GEESMAN: Thank you.

DR. TOOKER: My name is Chris Tooker from the --

UNIDENTIFIED SPEAKER: I'd like to respond to that in context with -- mike off?

DR. TOOKER: Chris Tooker from the Energy Commission Staff. In terms of testimony we've heard in other venues, it appears that the South Coast Air District's environmental justice program is very well developed and focuses on increased transparency of rule development processes to include local neighborhoods and groups in that process. To keep them informed about development plans, and to address their concerns to the extent that they're even investing resources that they have in going out and identifying critical problems in neighborhoods in terms of diesel emissions, and working to replace engines and other sources of emissions, to actually address some of the local problems.

In the Bay Area, from what I've seen from testimony, they do have an environmental

justice program, which tries to increase the transparency of the process. But I don't believe they go quite as far as South Coast in terms of going out and identifying and resolving problems in the neighborhood.

PRESIDING MEMBER GEESMAN: Thank you.

COMMISSIONER BOYD: Well, Chris, I am aware Jack Broadbent, the fairly new Executive Director of the Bay Area District, is working pretty aggressively on the flaring issue which is a concern.

And one of the difficulties I had with this report was the difficulty the staff had in separating the, what shall I say, the subject of the production infrastructure of petroleum from the using infrastructure of the product.

And a lot of the discussions got into tailpipe emissions and even the marine terminal discussion talks in depth about the operations of marine terminals, which is primarily goods movement, and to a lesser degree, as we've been debating, the, you know, infrastructure to receive either crude oil or partially or totally finished products.

And so the attribution of problems and

responsibilities for solving those problems, I notice, is very difficult. And it's something that this Commission and its staff are going to have to struggle with in concluding the final Integrated Energy Policy Report, Energy Report, for the year. Because there are different responsibilities associated with this whole subject area. And those different people have to be singled out as the ones responsible for the pollution, the toxics, the et cetera associated with this entire activity.

I mean we're talking about the petroleum infrastructure that I thought was more dedicated to the receipt, you know, the production, receipt and movement of fuels. And then there's all those people who use those products in various kinds of ways, in planes, trains, ships, buses, trucks, cars and other kinds of equipment. Each of whom have a responsibility for their use and their production of either air pollution, environmental or environmental justice problems.

And then there's the separate sector such as air board and air districts and other agencies, the toxics department, that have to deal with regulation of specific emissions or specific

issues relative to, you know, the use of the product. In some cases, the generation of the product.

So, it's a difficult thing. To say an air district is very aggressive in environmental justice with respect to replacing diesel engines in vehicles and what-have-you, that's true. And that's kind of a judgment of the entire environmental justice activity.

But when it comes down to the issue we're dealing with here today, it is a little different. It gets more akin to dealing with flaring and flares.

And I happen to know Jack Broadbent quite well. I know he's very concerned about this and trying to aggressively address it in the Bay Area. So I just don't want him to get short shrift here with regard to that aspect. I'm not sure how aggressive they are in changing out engines like the valley or the south coast, et cetera, et cetera.

So, this is a tough one, and I commend the staff for an extremely comprehensive report on a first time. But I also notice it was very difficult to dice it apart in some cases, and to

not chase the entire product from one end of the process all the way through its end use. And there are, you know, there are different people to hold responsible for some of the problems.

MS. PHINNEY: Okay, well, apparently we have the number again. So I'm going to try and get the call-in line, and I hope the "third time's a charm" adage works.

(Pause.)

MS. PHINNEY: Let's move on to air quality since we've been talking about that.

The emissions from petroleum infrastructure are generally controlled by regulations. There are a few exceptions.

As we mentioned before, and has been part of the discussions, air emissions from upset events and flaring at refiners are of particular concern to the public.

While the infrastructure emissions represent a relatively small portion of the statewide inventory, they do represent a larger portion of the regional inventory. And because so much of California -- so many of California air districts are struggling with nonattainment, there will continue to be a fair amount of focus on

petroleum infrastructure.

In terms of statewide changes, the petroleum sector emissions have generally decreased from 1975 to 2004. I think the report points out about 50 percent reduction. The nitrogen oxide and particulate matter, or PM10, emission reductions are due to a change in the fuel used in the boilers and new air pollution control technologies that have been added.

The high levels of nitrogen oxides, or NOX, sulfur oxides, or SOx, and PM10 from marine terminals are due to diesel port equipment, truck and rail traffic and unregulated marine vessels.

Staff looked at refinery emissions to do a comparison of those emissions between air districts. And the capacity is located in six air districts, as listed on the slide, the Bay Area, South Coast, San Joaquin primarily, with much smaller facilities or activities in Ventura, San Luis Obispo and Santa Barbara County.

Eighty percent of the California population lives in these six districts, so tracking these emissions is very important. And the South Coast and Bay Area and San Joaquin comprise 98 percent of the refinery capacity. So

that's why staff concentrated on those three districts in the report.

As you'll see from the next slides the emissions vary by petroleum sector and by air district. And if you're just doing a quick visual glance, please note that the scale on the figures changes, the tons per day. Might be tons per year -- tons per day.

In looking at the South Coast emissions you see that it's heavily dominated by marine terminals and followed by refineries. And that NOx is the largest pollutant emitted by the refineries collectively.

In the Bay Area you see that refineries are the largest source of emissions, and SO2, or sulfur dioxide, is the primary or the major pollutant released.

We're covering all our bases here. In the San Joaquin bulk storage contributes to the most amount of emissions. And those are reactive organic gases. And you can see that the scale there on the left is very much smaller than for the other two districts.

Terms of future trends. The emission levels projected by the air districts are

generally expected to be flat over the next 15 years. An exception is the San Francisco Bay Area that is projecting slight increases. And, you know, those differences in projections, in part, may be due to differences in how emissions are calculated, which is one of the findings that staff determined in their analysis.

As we move forward into the future there will be continuing efforts by air districts to address community concerns. And some of those may include new rules and new technologies to collect data on air emissions.

Just in time, Chris, for questions and comments on air quality.

DR. TOOKER: Yes, Chris Tooker again. I wanted to make a comment, to pass on a comment from the South Coast from Mohsen Nazemi: I wanted the Commission to recognize that whereas they're not projecting an increase in emissions, that's based on the assumption that they will continue to develop and implement new rules and regulations to address the emissions from expanding infrastructure.

So, it's a two-way street. It's not that they don't expect more emissions, it's that

they expect that they will have to implement additional strategies to regulate them and manage those emissions.

PRESIDING MEMBER GEESMAN: And how would you characterize the Bay Area District, then?

DR. TOOKER: From what staff has told me, and perhaps air quality staff could come forward and answer that, I don't have that level of information. But I would suggest perhaps Mike Ringer come forward.

MS. TOWNSEND-HOUGH: Good morning, Commissioners and Melissa. I'm Ellie Townsend-Hough and I worked on the air quality portion of the report, myself and Matt Layton.

The Bay Area said that they have taken into account increases in emissions from refinery hoping or expecting best available control technology to handle the increases in their emissions from petroleum infrastructure.

PRESIDING MEMBER GEESMAN: Yeah, I'm trying to reconcile the two statements and boil out what is simply press release material and what is likely to represent a difference in regulatory approaches or conceptualizations of what best available control technology is, or the prospects

for expansion of infrastructure in the two regions.

MS. TOWNSEND-HOUGH: Actually, neither of the districts focused on additional building of infrastructure as we discussed this particular report.

PRESIDING MEMBER GEESMAN: That's what I was fearful of. Thank you very much, Ellie.

MS. TOWNSEND-HOUGH: Okay.

MS. PHINNEY: Thank you. Are there any more questions or comments? Okay.

We'll move to public health impacts of toxic pollutants. Again, another concern to communities.

Air toxics are emitted from process emissions, fugitive emissions and combustion processes.

Diesel particulate matter emissions are of most concern with respect to public health, and I'll talk about them a little bit more on the next page.

Except for one refinery, process emissions do not increase cancer or noncancer risks. And this is according to a process that refineries have to go through under regulations

from the Department of Toxic Substances Control.

But upset and fugitive emissions are not generally quantified.

(Pause.)

MS. PHINNEY: Webcast is working and has been working. Those of you who were worried that not everybody heard the audio.

Okay, where are we. Next slide talks about where those process emissions that are of most concern are coming from. And they are from ships and from flaring activities.

Diesel particulate matter is the most significant air toxic in California, so that's why staff paid particular attention to this area. And the marine terminal sector contribute most of the petroleum infrastructure diesel PM.

In these counties shown on the slide, Ventura and Santa Barbara, the diesel PM from petroleum infrastructure actually represent a fair amount of the district's inventory. You see 30 percent and 60 percent respectively for Ventura and Santa Barbara.

PRESIDING MEMBER GEESMAN: That's primarily tankers?

MS. PHINNEY: Yes. Well, I believe so.

Is it? There is a concern with tankers and the fuel that they use. It's a high sulfur fuel and that can lead to additional sources of particulates.

MR. METZ: My understanding it is tankers and it is from the up to 200-mile offshore limit of the transport of crude oil and products to California.

Daryl Metz, California Energy Commission.

PRESIDING MEMBER GEESMAN: And, Ms. Phinney, you had indicated, I think, in your comments on the preceding slide that flaring was one of the primary sources of toxic emissions?

MS. PHINNEY: Is one of the sources. There's just other also uncontrolled releases that still remain a concern to the community.

PRESIDING MEMBER GEESMAN: Right. And your comment about flaring, is that a statewide assessment, or is that more heavily weighted to one region or the other?

MS. PHINNEY: Well, I'll have Mike come up and address that.

MR. RINGER: Mike Ringer from the Energy Commission. Flaring, on a total toxics basis, was

not a large percentage, but of the toxics that do come out of refineries and petroleum infrastructure facilities, flaring is a significant source.

And has been indicated previously both the Bay Area and South Coast Districts have instituted flare management rules. And those are going to be adopted within the next month or so, very quickly.

PRESIDING MEMBER GEESMAN: Yeah, but I thought the South Coast had adopted their rule about five years before the Bay Area District did.

MR. RINGER: There's two different rules. Both Districts had already adopted rules that require inventories from flares. In other words, monitoring and what-not to try to get a handle on how much flaring does emit.

And now the second portion, the second part of the rules that are going to come into effect are the actual flare management plans.

Now, flaring has decreased, the amount of emissions from flaring has decreased prior to the adoption of the flare management plan, itself, just from the mere fact that flares are being looked at and have been looked at now for a couple

years.

So there's already been a benefit from just looking at the flares; emissions have been reduced. And now they're doing the next step for the actual management plans.

PRESIDING MEMBER GEESMAN: So, what proportion of toxic emissions from the refineries come from the flares, and to what extent has that been on a downward slope?

MR. RINGER: In the Bay Area flaring has resulted in pretty much of a reduction. I think, if memory serves correct, it probably went from 5 tons a day to 2 tons a day, something like that. I'm not sure what the equivalent number is in the South Coast.

PRESIDING MEMBER GEESMAN: Now in the South Coast, though, they started monitoring flares, I think five years earlier --

MR. RINGER: Right.

PRESIDING MEMBER GEESMAN: -- than the Bay Area. Would you expect a corresponding decrease or --

MR. RINGER: Yes.

PRESIDING MEMBER GEESMAN: -- perhaps even a greater decrease because of the earlier

adoption of the rule?

MR. RINGER: Yeah, at least corresponding.

PRESIDING MEMBER GEESMAN: Okay, thank you.

MS. PHINNEY: My -- oh, sorry.

PRESIDING MEMBER GEESMAN: Why don't we let Mr. Sparano have a chance here on this topic.

MR. SPARANO: Thank you. Joe Sparano, President of the Western States Petroleum Association. I do have some comments I wanted to make that are more organized than these extemporaneous comments I will make. But a couple of observations and a few questions.

This is a very important part of the work that we're doing right now with both the Bay Area and South Coast Air Quality Management Districts. For information the amount of flare emissions in the South Coast has been measured down to about 1.4 to 1.2 tons per day, well below the SIP requirement for the South Coast.

I guess it would be fair to say that monitoring of flare activities has contributed to better data on flares. I think it's awkward and perhaps unfortunate and maybe even unreasonable to

state that monitoring has caused flaring to be reduced.

Flaring is a safety issue. You don't reduce flaring, because if you do, badly, then you may cause over-pressure situations in a refinery. Very fundamental. Both Districts and even the communities, at least in the South Coast in particular, based on the dialogue that we've been having, recognize and reinforce that idea.

The reason flare emissions are down are because of compressor equipment, operations that in some years have turnarounds and no turnarounds. There are allowable flaring events for startup and shutdown of equipment which is directly related to your portfolio of responsibility to insure adequate supply. If flaring is not used during turnarounds, they take longer and production is down.

Clearly there has been improvement in the South Coast. The numbers I mentioned are accurate. In the Bay Area flaring represents one-one-thousandth of a percent of the SOx emissions. A very very tiny quantity.

The issue with flaring, importantly, is that flares are very visible. Anyone who drives

by day or night can see evidence if there's a flaring event, particularly at night. And communities that are nearby can hear and feel the rumbling of a flare release.

But I assure you that flare modifications and improvements to gas compression and gathering not only have been accomplished, but make terrific economic sense to those refiners who have made progress there.

The Bay Area does not have a new rule yet. It will be up for adoption in July. The South Coast does not have a new flare management plan rule yet. It will be up for adoption in September. We are working actively and continually with both those groups. And I think it would be fair to say a lot of dialogue, constructive dialogue, is taking place. And I'm encouraged by what I think may be some very good flare management rules.

It's very difficult, if not impossible, to minimize the amount of flaring because flaring is a safety operation. And you don't minimize that, you manage it as best you can. And that's why the Districts are calling these flare management plans.

One quick question, and that is, different subject. It was mentioned that the inventories of toxics in Ventura and Santa Barbara County are a direct result of emissions from tankers. And then I believe the clarification was that tankers sailing from 200 miles inward toward California shores are the source of those emissions.

I would be interested in knowing how that's measured. That's a really really big statement. And to see the data and to understand it would be very helpful.

Thank you.

COMMISSIONER BOYD: Joe, could I ask a quick question. Are the Bay Area and the South Coast trying to harmonize their rules in any way, or are there differences?

MR. SPARANO: There are some differences. And I think curiously the harmonization of those rules is probably coming from our industry and maybe even from WSPA specifically. And that's not self aggrandizing.

We are trying to work with both venues to insure that good practices that are being identified in one area are carried through to the

other. It's impossible for me to know whether the executive officers or the staffs are talking actively. But there are some differences.

Because, as I think the Commissioners know very well, one size does not fit all on flaring. And because there are configuration differences, size differences, number of flare differences, there is a strong likelihood that the rules, themselves, will be different.

I think the best practices that are available are being monitored and checked, and, in fact, may be shared. We are certainly trying to make sure that as we participate in this we are sharing that information between the refiners and the Air Districts in both areas.

COMMISSIONER BOYD: Thank you.

MS. PHINNEY: This was the last slide for air toxics. Is there anyone who would like to make any comments, additional comments or questions on this section?

I would like to just remind those who are on the webcast if they're interested in making comments we do have a functioning number for the call-in; and it's 1 800 857-6265. The passcode is 52031. And the call leader is myself, Suzanne

Phinney. Is there anyone on the phone line who wants to make comments? If so, as I go through future sections, just speak up.

Okay. Move to safety and hazardous materials management. Here we're looking at hazardous materials; these include raw materials and processed materials.

The regulations in place are primarily to inform the public and emergency responders in case of any events that they would need to respond to. Typically done through risk management plans that are prepared by the industries, which identify the hazards. And then these programs are administered by local agencies.

The process safety management is a program in place to protect workers at facilities. And that program is administered by Cal-OSHA.

Staff reviewed release databases to determine how many releases have occurred in the past, and that showed that there had been 18 releases from 1990 to 2003 with no associated public impacts. There have been two pipeline incidences from 1980 to 1989 that did cause injuries and a fatality.

Although not in the database there was a

1994 refinery release that had 200 tons of an airborne corrosive solution that did cause health impacts to the community.

And in terms of responses, Contra Costa, for example, has had 14 shelter-in-place events from 1993 to 2003, with no reported injuries.

PRESIDING MEMBER GEESMAN: What is shelter-in-place?

MS. PHINNEY: I believe it's where a release has taken place and the authorities tell everybody to remain inside their house; do not go in outside environments. But I could be corrected. Rick, is that correct?

MR. TYLER: That's, in effect, correct.

MS. PHINNEY: Okay.

MR. TYLER: There's a --

UNIDENTIFIED SPEAKER: If you're going to talk, come forward.

MR. TYLER: There's a large benefit from --

PRESIDING MEMBER GEESMAN: Save it for the mike, Rick.

MR. TYLER: There's a large benefit from staying indoors because of the air turnarounds. And by the time a cloud passes generally it

doesn't allow enough time for the concentrations to achieve the levels that are outdoors indoors.

We do have a concern that a lot of these events, a lot of emergency responses are being done routinely instead of based on good information. So, that's why we pointed out that there were no injuries or fatalities associated with this. And we doubt there would have been even without the shelter-in-place notifications.

PRESIDING MEMBER GEESMAN: And you identify 14 experiences in Contra Costa County. Have there been other similar occurrences elsewhere in the state?

MR. TYLER: No. That's the interesting point. They were all, to our knowledge, in Contra Costa County.

PRESIDING MEMBER GEESMAN: Do you have an opinion as to why that's the case?

MR. TYLER: My guess it's largely the result of public reaction to past releases in that general area. There's been, I would say that Contra Costa County is on the cutting edge of developing regulations for those same reasons. There have been concerns on the part -- much concern on the part of the public in that

community.

PRESIDING MEMBER GEESMAN: But during this time period you haven't identified similar experiences in southern California?

MR. TYLER: That's correct.

PRESIDING MEMBER GEESMAN: Thank you. You need to identify yourself for the record.

MR. TYLER: My name is Rick Tyler; I'm the senior that deals with hazardous materials management issues here at the Commission.

PRESIDING MEMBER GEESMAN: Thank you.

MR. TYLER: Thank you.

MS. PHINNEY: Looking to the future if refineries were to increase throughput even further, suggests the increasing importance of process safety management. And staff has identified the suggested need of integrating process safety management with hazardous materials regulations. So they're more closely integrated and coordinated.

PRESIDING MEMBER GEESMAN: I need to ask a question there.

MS. PHINNEY: Rick, back up.

PRESIDING MEMBER GEESMAN: What agencies develop PSM requirements? Or is that a company-

sponsored policy?

MR. TYLER: No, it's a response to federal government regulations that require development of those plans. The federal regulations require what must be done. That has been delegated in the State of California to Cal-OSHA.

PRESIDING MEMBER GEESMAN: And who establishes hazardous material regulations?

MR. TYLER: Again, those are largely parroting the federal requirements. RMP is the same sort of program delegated to the State of California from the federal government.

PRESIDING MEMBER GEESMAN: And which agency within the State of California?

MR. TYLER: Generally that's the CUPAs; they're local agencies that are responsible for developing their regulations.

The one thing I'd point out is PSM deals with insuring that management practices, safety management practices, or management of safety occurs at these types of facilities. And while it is administered by Cal-OSHA, it is probably one of the most important programs in actually preventing impacts on the public.

PRESIDING MEMBER GEESMAN: Thank you.

MR. TYLER: Um-hum.

MS. PHINNEY: Okay. Also, since the events of 9/11 there's been an increasing focus on the potential for terrorism and sabotage at all facilities that may cause releases to the public. And staff is recommending that these types of risks be addressed in future regulations, or in some manner a little bit more formalized than they currently are. Although, as an editorial comment, I'm sure that facilities are actively looking at this type of thing on their own.

And then finally, a need for more timely information and better communication with the public and responders should releases occur.

That was the last slide for this particular section. Are there any additional comments or questions?

COMMISSIONER BOYD: Suzanne, did we get any comment or feedback from Cal-OSHA or from our toxics department on these areas?

MS. PHINNEY: I'm not personally aware of that, but perhaps the authors are. And they're shaking their heads no.

COMMISSIONER BOYD: Thank you.

MS. PHINNEY: But we certainly hope that all the agencies are reviewing these documents. We did invite the agencies to attend our workshop and alerted them to the fact that the report was online, that we would like their comments.

PRESIDING MEMBER GEESMAN: Let me ask the same question with respect to Contra Costa County. Any feedback from them? The transcript should reflect that Rick is shaking his head no.

MS. PHINNEY: Now, let's move to hazardous waste generation. No longer looking at the hazardous materials, but the waste that's generated either from the end products that has no longer any use within the facility, and these are materials that could cause injury, illness or harm to people or the environment.

Staff looked at recurring and nonrecurring waste. Recurring being those kind of wastes that are routinely generated from a facility, and nonrecurring meaning a one-time event or historical releases that are now subject to cleanups. For example, under the Superfund Act.

And particularly in this section staff had difficulty with the data, looking at the

availability, the character and the utility of the data in order to make their assessment.

In terms of recurring waste generation and disposal, DTSC, or Department of Toxic Substances Control, considers refineries to be one of the largest generators in the state. There does appear to be that there has been a reduction in hazardous waste from the period 1990 to 1998. But it's hard to tell if the overall amount generated and reduced follows that trend, because we don't know if we have all of the data.

With the data that was at hand we identified that refineries contribute between 5 to 7 percent of the hazardous waste disposed offsite. Of that, 7 to 16 percent going to landfills and 2 to 5 percent being incinerated.

Again, I mention lack of data. In this case on recycling and other treatment options that are in use.

With respect to nonrecurring waste, half the refineries have some sort of subsurface pollution with ongoing cleanups in effect. Staff has identified a gap between regulatory policy, basically I suppose how clean is clean, and what can be practically attained.

The potential for future spills of this nature are limited by the regulations that are in place by process changes and new technology.

Are there any questions on this section, or comments, additions?

DR. TOOKER: Yes, my name is Chris Tooker, again. Actually, I wanted to provide a response to Commissioner Geesman's question regarding Contra Costa County.

I did get a call from Michael Kent, the ombudsman for the County, dealing with hazardous materials management. They are reviewing the report and will be providing comments.

And I had visited them and spoke to their local commission which advises the board of supervisors on such issues and informed them of what we were doing.

PRESIDING MEMBER GEESMAN: Excellent. Thank you.

MS. PHINNEY: No comments, questions? Okay. We'll move to water quality and supply. And here the regulatory framework addresses surface water, groundwater, sediment and soils.

The refinery sector, the four sectors of the petroleum infrastructure that we looked at,

uses the most water. That use has declined since 1992, but is still significant.

The wastewater primarily is derived from cooling water blowdown, boiler feedwater and process wastewater. Much of that water is disposed to wastewater treatment plants, 20 to 40 gallons per barrel of crude refined. And certainly there are treatment methods -- processes all along, so that once it gets to the treatment plants it meets those requirements and gets further treatment.

Here are the potential impacts to water bodies primarily from dredging and oil spills. Dredging can create resuspended solids and you get impacts both from the physical factors and from any chemicals that are in that water column.

Looking at crude oil and refined product spills from the period 1973 to 1993 there were 170,000 oil spills in the United States, but 90 percent of them were less than 100 gallons. Certainly technology improvements now limit spills with double-hull tankers and navigation systems both onboard ships and at the port facilities.

Looking to the future, any increase in crude oil imports could, of course, increase the

oil spill potential. Staff sees opportunities for optimizing water use, both through alternative cooling methods, increased use of recycled water.

Any questions or comments on the water section?

PRESIDING MEMBER GEESMAN: Yeah, we've done a lot of work on cooling methods for electrical power plants. And one of the things that I couldn't find in this report is some context in terms of the volumes of fresh water utilized or once-through cooling systems utilized for petroleum infrastructure in comparison to the electric generating sector.

MS. PHINNEY: Rich, are you here? Are you able to respond to that comment?

MR. SAPUDAR: I'm Rich Sapudar, water resources technical staff for the Energy Commission.

PRESIDING MEMBER GEESMAN: You need to make certain your microphone is on.

MR. SAPUDAR: The green light's on.

PRESIDING MEMBER GEESMAN: Okay.

MR. SAPUDAR: Thank you. No, we didn't do that, that kind of comparison, for this report. We basically just looked at the water use within

the industry, how it's used, how it's disposed of, how wastes are generated, how they're treated and handled. But that's something obviously we could do.

PRESIDING MEMBER GEESMAN: Is this a large volume of water? It would be helpful to me to have some comparative context.

MR. SAPUDAR: Okay. What we did is we did locate two reports that identified the amount of water used for refining as a measure of how much water is used to refine a barrel of oil.

And one of those -- I've got the numbers here -- for instance, Department of Energy in 1998 estimated that 65 to 90 gallons of water was used for each barrel of oil refined. And then a later study in 2003, the Pacific Institute study, came up with a number of 20 to 60 gallons of water per each barrel refined.

So that's something; if we needed to come up with a more exact number, obviously we'd have to probably survey the refineries.

PRESIDING MEMBER GEESMAN: Yeah, and I guess the concern I have is that a refining number or is that a number that reaches back and picks up production at the well?

MR. SAPUDAR: I think that's just refining. It doesn't reflect water that's used in production.

PRESIDING MEMBER GEESMAN: Well, I think it would be helpful to establish some form of context here so that the Commission could evaluate where the volume of water consumption compares with what we're more familiar with in the electric generating sector.

MR. SAPUDAR: Okay.

COMMISSIONER BOYD: While you're there, I had a similar, but slightly different, reaction when I read this section. And it had to do with the energy consumption associated with all this water use. And the fact that I'm aware that our PIER program has done a lot of work with the refining industry on efficiencies in refining as it relates to energy use.

But I wonder if it had ever been extended to energy efficiency -- well, the nexus between water, you know, efficient use of water and energy efficiency is where, as well. And I was just wondering if this is an area that potentially there might be some possibility of working cooperatively with the industry on

efficiency studies and rationalizing it as to our charge as it relates to the energy use associated with water use, et cetera, et cetera.

So, it's just an idea that popped in my head. It's just a comment.

MR. SAPUDAR: We did touch on that just a little bit. We didn't go into it with any depth at all. And we did notice that the trends for the industry are they're using less water overall, they're generating less wastewater overall.

And part of that is because of increased cost of complying with regulations for discharge of wastes; the energy costs of moving wastewater and water, supply water around the refinery. So all of those do factor in. The less water that's used and wastewater generated typically the less cost is going to be associated with electricity to move the water around through pumps and that type of thing. But we didn't get into that in any depth at all.

COMMISSIONER BOYD: I'd be curious later if the industry representatives have any comments on that, and whether there's any low-hanging fruit in that area that we might mutually work on together. Because our PIER program has done some

commendable work working with the industry, I've note, in the past few years on other efficiencies as it relates to energy consumption in the refining process.

MR. SAPUDAR: If they have information they'd like to make available to us, we'd certainly be appreciative of that.

COMMISSIONER BOYD: Thank you.

MR. SAPUDAR: You're welcome.

MS. PHINNEY: Are there any more comments on this section of the report, water quality and supply?

Biological resources. You remember from my earliest slide that the infrastructure went in very early, certainly prior to the environmental regulations that are now in place within the National Environmental Protection Act, California Environmental Quality Act and regulations relating to Endangered Species. This makes it difficult to quantify historical impacts and to create any kind of a trend analysis.

The proximity of the infrastructure to sensitive areas varies according to their locations. As I mentioned, Los Angeles and Long Beach, predominately urban. The San Francisco

infrastructure is near some marshes and grasslands. And even moreso in Bakersfield and Santa Maria, grasslands, dunes and agricultural lands.

We get resource impacts from the following areas. Ballast water discharges have introduced non-indigenous species, chemicals, contaminants and, I believe the speaker made the point, you know, this is not just specific to petroleum tankers, ships; these are all of those vessels that are coming from foreign locations.

Hull fouling is also another way of introducing species, and that's where organisms adhere to the outside of the ship.

Dredging can disturb the marine floor and those suspended particles can affect the aquatic life.

And then oil spills, while declining in number and volume, can cause long- and short-term impacts depending on where they're located and how long they persist.

Looking into the future, certainly any construction activities in pristine areas or nonindustrial areas could disturb resources. The Energy Commission's assessment of petroleum

infrastructure needs identified some dredging that would be required in San Francisco Bay. So that would be one area for dredging impacts.

However, in large part, the regulatory framework is in place to mitigate impacts. And the Commission's sister agency, the State Lands Commission, has a very aggressive program to both reduce and study the effects of ballast water or hull-wall fouling impacts.

COMMISSIONER BOYD: Suzanne, before --

MS. PHINNEY: Yes.

COMMISSIONER BOYD: -- you move on, or maybe you --

MS. PHINNEY: No, this is the stopping point for questions and comments on this section.

COMMISSIONER BOYD: On the dredging issue, and this is just kind of an inquiry or a question to staff maybe for future consideration.

Both, here at the Commission for the past three and a half years, and in former occupations within the state, I've been frequented by the dredging issue in the Bay Area. And I know it's quite a concern, and a lot of effort's been made to expedite permitting of dredging and so on and so forth. And yet the problem goes on and on.

And I don't know if dredging, and silting and thus dredging is just an issue we're going to have to deal with in perpetuity. And I know the problem of dealing with dredging spoils gets more chronic all the time because there's a lot of other dredging demands for deepening ports, expanding ports and what-have-you.

And I've just wondered if any of the agencies involved in this, and maybe this is the Corps of Engineers more than anybody else, have looked at other alternatives to preventing the silting in the first place, to avoid the dredging or what-have-you. Of if that's, you know, if that's physically impossible, hydraulically impossible, whatever.

But it's just a thought on my part that I don't know, and maybe somebody on the staff can tell me later whether or not other water agencies or the Corps or other folks responsible for this have looked at alternatives to just perpetual dredging; other ways to avoid the silting in the first place.

MS. PHINNEY: I'm not aware of any, and offer the audience to respond to that question. Looking at the color of the Sacramento River, I

can imagine that it is a big cause of that silt.

COMMISSIONER BOYD: Well, down through the years I've heard a lot of speculation about bridge piers that didn't used to be there before, suddenly causing, you know, a change in water flows that can attribute to silting that didn't exist before.

So it just seems to me there are ways, there potentially are ways of creating barriers and diversions that may put silt in another place that is not so economically draining on ceratin facilities.

In any event, it's just a thought, and it may be totally off base, but this is a workshop and we're supposed to be free-ranging, and I am. Thank you.

MS. PHINNEY: Thank you, Commissioner. The last section of this presentation, I know it's getting a bit long, deals with policy options that have been recommended in the report. This is just a summary and more information is provided in chapter 1.

But I'll go through these. One would be to expand the partnerships, continue partnerships, expand partnerships, particularly with other state

agencies, which would allow the Energy Commission to provide timely information on the needs and plans for petroleum infrastructure.

And then to also work with those agencies to identify opportunities for decreased water use and increased -- excuse me, decreased energy use and increased energy self sufficiency.

Should the Energy Commission have opportunities to sponsor studies such as the one that is currently underway between the Energy Commission and the California Air Resources Board, that would be to develop tools to help address community concerns.

Another recommendation to work with DTSC to identify opportunities for reduced energy use and waste generation; increase recycling use of waste materials or waste products, such as petroleum coke, to generate energy particularly at, you know, those locations, themselves.

Last slide. To support the Air Resources Board efforts in their siting criteria for local communities, that was referenced earlier. And efforts to reduce particulate matter emissions from shipping, since that has been identified as a concern.

And then finally, to work with the air districts and the Air Resources Board to resolve differences in methodologies for calculating air emissions.

That concludes the presentation. I think at this point we'll turn it to general comments. Any comments?

PRESIDING MEMBER GEESMAN: I do have a couple of blue cards, but are there any immediate comments from the audience? I'll go to the blue cards next, then.

Mr. Sparano, you're first up, from WSPA.

MR. SPARANO: Thank you. Belated official good morning to the Commissioners and Staff. I do have some overall comments I'd like to make. It was a little awkward to interject comments through the presentation, as good as it was, and I'll try to take up some of those comments before I finish.

We do have written comments that we are prepared to submit that outline not only our observations about this very complete report, but also some suggestions and recommendations that we would hope the Commission would consider.

Because I have a commitment later today

and I'm not sure how long this will run, if we get into some of the detailed conversations about different segments, Steve Arita is here and will step in for me if that's necessary. Steve also has a great deal of expertise on the environmental side, particularly water, and is available to answer questions that you might have that I can't handle.

WSPA is pleased to note that the Energy Commission report generally has given our industry a good environmental performance report card or rating for the years that were reviewed. I believe that's 1985 through 2004. We agree with the statements in the EPR that crude oil and petroleum products are an integral and critical part of the California economy. That's very important, I think, a very important point that should not be missed. I know the Energy Commission never misses it.

And it is my hope that as others examine the product of your efforts that that becomes a mantra for everyone, that it's important that we continue to try to balance supply that meets demand, along with environmental protection, which is what this report is all about.

Our products provide many of the essentials needed for day-to-day living. Clearly petroleum fuels help us get to and from work, enjoy recreation. But they also play a critical role in transporting goods to market.

We've been working within the IEPR process overall and through other channels to help insure that enough clean petroleum supply is always available to meet what appears to be ever-growing California demand for transportation fuels.

We're also focused, as the Energy Commission is, on insuring that there's sufficient energy infrastructure in place to handle that demand.

It is our belief that the Energy Commission's mission should place its highest priority on helping consumers have reliable and cost effective access to energy supplies every day. It's certainly within your ability to examine and capability of examining, as was evidenced by the excellent presentation and report, examine the environmental implications. But I think it's, again, very critical that those important issues be balanced against the need to

continue supplying this economy with the energy products that it needs to grow.

WSPA agrees it's important to look at public health and safety issues that could affect the health of existing facilities and the development and expansion of new petroleum infrastructure. This is particularly important in the ports and harbors in California.

I'm reasonably confident the Commissioners, and certainly the staff, are aware of some of the issues that have cropped up in southern California, particularly the Port of Los Angeles, and I've had the privilege and opportunity to meet with and provide information to some of the Port committees, both community committees, as well as the members of the Port Staff, along with Gordon Schremp, on a couple of occasions where we've tried to communicate this need for balance and requirement for increased petroleum and other energy infrastructure in order to keep the ports vibrant and the economy moving forward.

The EPR highlighted a significant number of issues that we are currently working on, as an industry. It also identified that our industry

will need to utilize collaborative partnerships with all the parties in order to insure continued improvement.

I think it's clear that public policy initiatives and decisions that have been made right up till now have negatively impacted and continued to affect petroleum supplies. I think, as was observed earlier by the Commissioners, land use and proximity issues are in the same category. And until we collectively solve those, I think there will continue to be friction among all the parties that are interested in these important areas of our daily lives.

Some of the key issues that we've talked about are related to environmental protection, such as managing emissions from flaring, dredging-related sediments, global climate change emissions and marine terminal and port emissions.

Dredging, in particular, I think is an important subject that has to be addressed. Commissioner Boyd's comments made a lot of sense in terms of the need to identify and perhaps change the course of sediment and silt that enters harbors that need to be free of them in order to allow shipping transit to proceed as it needs to

proceed to support the economy. There is a direct connection.

The good news, I guess, from studies that we have done and work we've done with the BCDC, the Bay Planning Commission for harbors that covers dredging permits, indicates that much of the runoff silt is clean. And therefore once dredged, can be disposed of cleanly. And that's typically not the issue.

But in order to facilitate that, things like straightening waterways for navigation work in direct opposite to reducing the amount of silt that runs down them. And so there may need to be some public policy decisions made there that will have an effect on the amount of silt that ever gets to a harbor, which, in turn, would affect the amount of dredging spoils that we all have to handle.

There are some other issues that involve economic considerations. And I touched briefly on the preferences of some of the port commissions. Included in those are the desire to expand cargo container operations rather than petroleum- or energy-related operations. That is a very clear economic preference, and I believe it has been

brought before you in official testimony by members of the Los Angeles Harbor Commission and Staff.

And so there is a clear push and pull there in the harbors with respect to what is economic for the folks responsible for generating revenues through the harbor. But there are potential consequences of working too much toward pure container operations and leaving us short of what I think all the reports have indicated will be a big part of our future. And that is imports of petroleum and other energy-related supplies through the harbors of California.

I'd also like to make an observation about the references in the report to the role environmental regulations have played as the driving force for modifications made to refineries, especially those governing the formulation of cleaner burning gasoline and diesel.

I think it would be fair if the report also recognized the many modernizations and efficient investments and procedural upgrades that refinery operators have implemented since the facilities were built. They're not always as the

result of government regulation, but I think nonetheless, result in improvements for California. They are candidly often the result of economic attractiveness in terms of projects that are particularly efficiency related.

The report mentioned earlier the disposal of a waste called petroleum coke. And I think it's important, I'd like to add to the dialogue here, petroleum coke is a consequence of running very heavy and often sour crude; crude that is increasingly more available to refiners.

Petroleum coke has end-use markets that range from heating homes in Europe, packaged in nifty little 15-pound bags that are designed to be attractive and used in home furnaces. All the way to creating other products that are either fueled by the heat of burning petroleum coke, or by the coke, itself, in a calcine form.

So it's not as much a waste product as it is a potential generator of end-use products, as well as part of the process that allows refiners and other investors outside the utility groups, to create energy in the form of cogeneration where refinery heat and products are used to create steam and electricity. And that

electricity, when used inside the plant, will allow refiners to take less from the grid. And when there is excess, allows refiners to contribute electricity and hopefully minimize the chances of any shortages such as we faced in 2001.

PRESIDING MEMBER GEESMAN: Commissioner Boyd and I have gone on at some length in earlier workshops about our desire to encourage more cogeneration. And I think you can expect that when our Committee report comes out in the fall, that will be one of its more prominent recommendations.

MR. SPARANO: I endangered myself at an earlier hearing when I agreed with you on a point, I believe you called it polluting your position --

(Laughter.)

MR. SPARANO: So I don't want to do that again, Commissioner, but I do, in fact, agree with you. One of the things we probably ought to all keep in mind is that like capacity expansions the permitting for those types of facilities often creates an environment where it takes longer, creates uncertainty and often frustrates the promoters, those who seek to invest their money and gain financially from that investment.

I think the Energy Commission has done a great job of trying to eliminate some of those barriers. And to the extent you can continue doing that, I think it would really help facilitate investments in that end of the business. And it has a double or triple advantage when one considers the use of energy and the resultant benefits that come from the electricity that's produced from what could otherwise be a very low value product. So I applaud what you're doing there, even at the risk of getting you irritated.

PRESIDING MEMBER GEESMAN: To be fair, I did say contaminated before.

(Laughter.)

PRESIDING MEMBER GEESMAN: I did not say polluted.

MR. SPARANO: I thought you said polluted, but I guess the record would show. But I accept the clarification.

According to the CEC, if petroleum -- and let me, I've got a couple more comments here, and I'll be finished -- if petroleum infrastructure improvement projects are not implemented it is going to cause constraints in

the infrastructure system.

Those constraints, we have already seen, can lead to higher operating costs and ultimately higher gasoline prices for consumers. It's an amazingly irritating public situation. And I don't know whether it stems from all of us feeling like we have an entitlement, always have available the cheapest fuel we believe is out there and should be out there. Whether it's a phenomenon I don't understand at all, which is certainly possible.

But I think the end result is marrying up the need to create clean supply, keep it available every day in quantities that don't cause people to sit in line and wait for it, whether it's a trucker moving goods from the Port of Long Beach eastward, or whether it's a consumer sitting at a pump. I think what you're doing here all contributes to making that a better situation, although I believe we have a long way to go before we get to a better place on that.

I think, as the state moves forward, and to the extent the Energy Commission influences how the state moves forward, it's absolutely vital that whatever plans are created reflect the need

for enhancing, improving petroleum infrastructure, keeping existing infrastructure in place and healthy, as I mentioned earlier.

And creating new infrastructure where it's clear from a supply/demand standpoint that that infrastructure is needed to augment supplies that we can produce from our instate refining capabilities and production capabilities.

WSPA agrees with the staff report on the desirability of partnerships. And we support the Commission's goal of educating stakeholders on the need for petroleum infrastructure upgrades to meet future demand for transportation fuels.

We support the staff's recommendation of reducing energy usage wherever that is economically and technically feasible. And with emphasizing the priority of increasing energy efficiency.

I think that the Commissioners are aware that WSPA spends a great deal of our time trying to educate a public that we have, in the past, done a woeful job of educating in terms of how our business runs, the details of the business that lay forward the facts, rather than the myths, and try to create an understanding that will make it

easier for all of us to move forward in these partnerships that the report refers to.

Most of the specific issues that were covered in the report are related to environmental protection and improvements. And perhaps those might be viewed as more in the purview of Cal-EPA, and the agencies that report to Cal-EPA.

As a result of that we recommend that the staff have Cal-EPA agencies review the details of the report and comment as appropriate. You may already be doing that, in which case I applaud you. I think it's important that those folks buy into some of the things that you have said here, and reinforce and endorse those things because they're very important, as they create the balance that we'll need to get the job done.

The report has a lot of findings, as we've heard, in the earlier review, the slide review of the entire report. We think affirmative policy recommendations that are going to insure existing infrastructure is maintained and new infrastructure is allowed to be installed where it is necessary, will be critical. Our written comments will have some specific recommendations to that end. I won't go through them all now for

obvious reasons.

Commissioner Boyd made a really important point earlier, one of the important points that was made by the Commissioners. And that is we're struggling a bit, along with Commissioner Boyd, with the CEC Staff analysis of who produces the fuel, as an issue, diesel in particular, versus who uses the fuel. And how the use and production are linked and tied to the petroleum infrastructure.

Perhaps it's a problem with labeling. Let me try to explain that briefly. Marine terminals are being characterized as petroleum infrastructure, which is fair. But petroleum-related marine activities are only a piece of the equation.

In the discussions of marine emissions it appears that emissions from anything that operates in the marine environment that burns petroleum gets lumped into petroleum infrastructure, which is, I think, where Commissioner Boyd was going. And I agree completely that that needs to be separated. Some of those emissions are a consequence of other operations that take place downstream, if you

will, of the marine environment.

And I think the report still mixes those. And perhaps with Commissioner Boyd's observation that part of it will be cleaned up and take on what I believe would be the right tone, which is certainly materials that come into the harbor and the vessels that transport them have the potential for emissions and need to be controlled by all of us. And the movement of those goods and even the services that are provided to move the goods are a separate issue and need to be addressed, as well, but are not specifically marine petroleum issues.

So, with that, I'll stop and say thank you for giving me the opportunity to present some of our views. Either Steve or I may have more specific comments as you go forward. I'd be happy to answer any questions anyone on the panel might have.

PRESIDING MEMBER GEESMAN: Thanks, Mr. Sparano.

MR. SPARANO: Thank you.

PRESIDING MEMBER GEESMAN: We look forward to your written comments.

Jane Turnbull, League of Women Voters.

MS. TURNBULL: Commissioners, thank you for giving me the chance to speak again today.

First of all, I would like to respond to Commissioner Boyd's comments about dredging. The topic came up and sparked a memory close to 20 years ago when PG&E found a good number of its reservoirs were filling up with a good deal of silt.

And that prompted a really neat research project that was called Red Clover Creek. And it meant that -- actually it was the start of a CRMP, Coordinated Resource Management Program, when a whole host of agencies and private sector entities got together and looked to see how they could actually mitigate the silt development or silting.

And they ended up putting in four earthen dams along this creek, and it really did prove to be a long-term solution. It also was the predecessor to the Quincy Library Group, which did a great deal in Tahoe. But it was really quite a neat undertaking, and I'm sure there are reports available regarding it.

But the chief reason I'm here is to ask that the issue of CEQA -- the appropriate use of CEQA be considered in this area. We have gotten

anecdotal comments from a number of people that some of the refineries have been rebuilt over a period of years. And the rebuilding was extensive but because it was done one piece at a time it really did not require any kind of serious look at what was happening.

And the feeling was that had there been an awareness of the extent of the anticipated endeavor that there would have been a CEQA requirement required at the front end. However, because it was done in an incremental fashion that did not occur.

So I am simply raising the issue of asking for some kind of clarification in terms of when it is appropriate for the use of CEQA when there is anticipated redevelopment of some of these facilities.

Thanks.

PRESIDING MEMBER GEESMAN: Other comments, members of the audience? Okay, seeing none, we'll wrap up.

I want to thank staff for an excellent presentation and report. We're taking written comments until when, Suzanne?

MS. PHINNEY: I believe the date was

July 7th.

PRESIDING MEMBER GEESMAN: Good. So I'd encourage people to file any written comments they may have.

And with that, we'll be adjourned.

(Whereupon, at 10:56 a.m., the workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Committee Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of June, 2005.